

Minnesota Sales Tax Gap Project

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**Multistate Tax Commission
36th Annual Meeting
Salt Lake City, Utah, July 31, 2003**

Study Approach:

- Database consists of 3 levels of data compilation
- Level I and II utilize Department of Revenue administrative records - bottom-up approach
- Level III involves estimates of “true” tax liability based on state and national economic analysis - top-down approach

Sales Tax Gap

Definition:

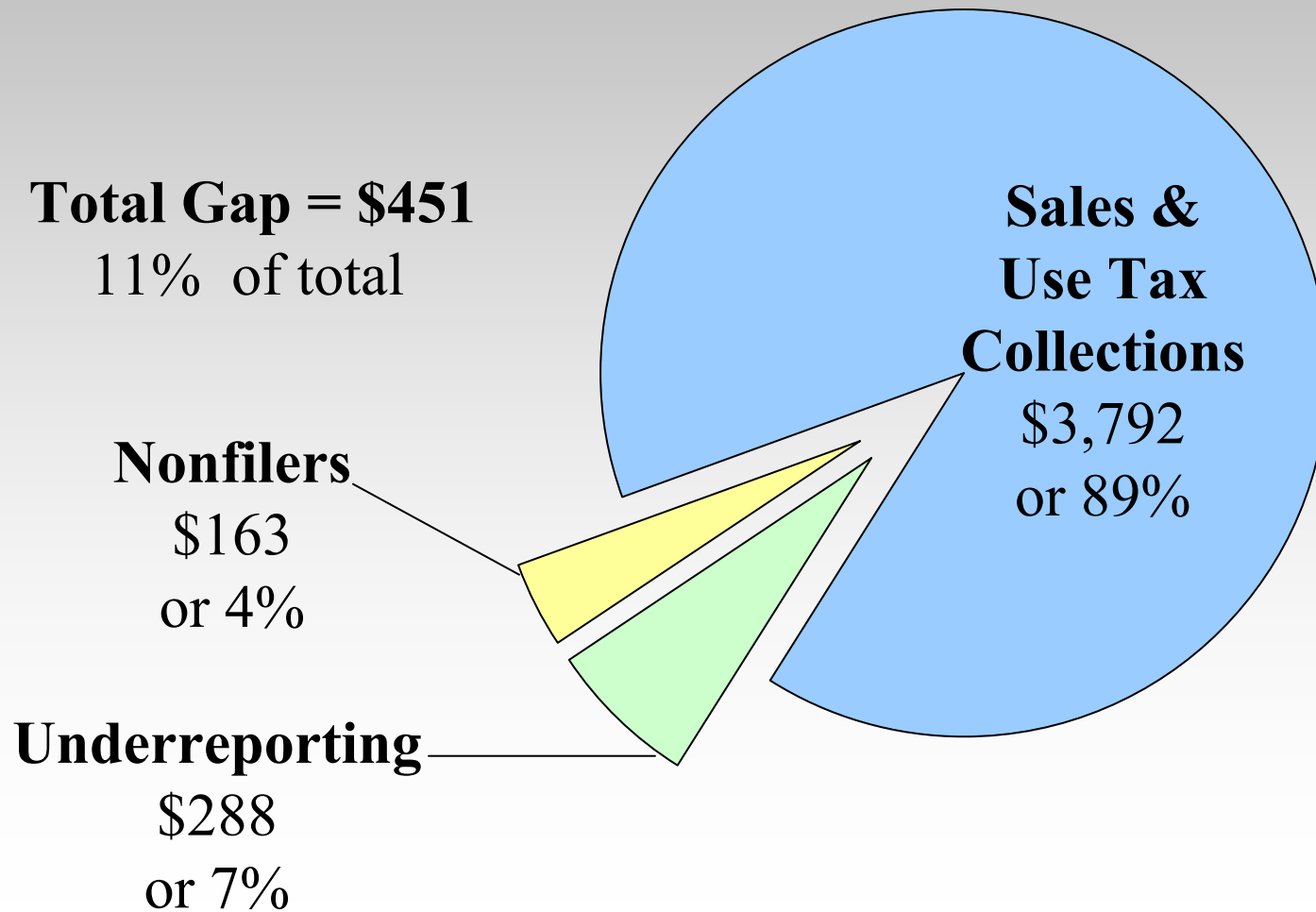
- Estimate the difference between what is collected compared to what should have been collected.

Sales Tax Gap Study

Objectives:

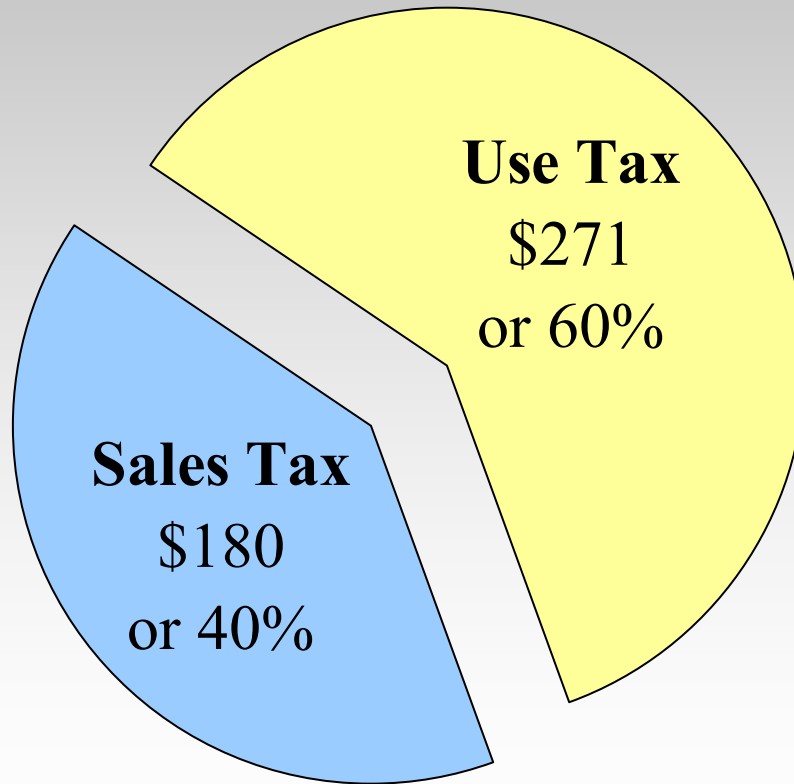
- Measure underreporting from “known” non-compliance.
- Estimate the non-filer component.
- Statistically reliable - 95% confidence level.
- Design should incorporate data currently available in Department of Revenue.
- Ideally, results could be blended into department’s business plans for updating and measuring change in compliance.

Total Sales and Use Tax Percentage Makeup of Gap CY 2000 (\$ Millions)

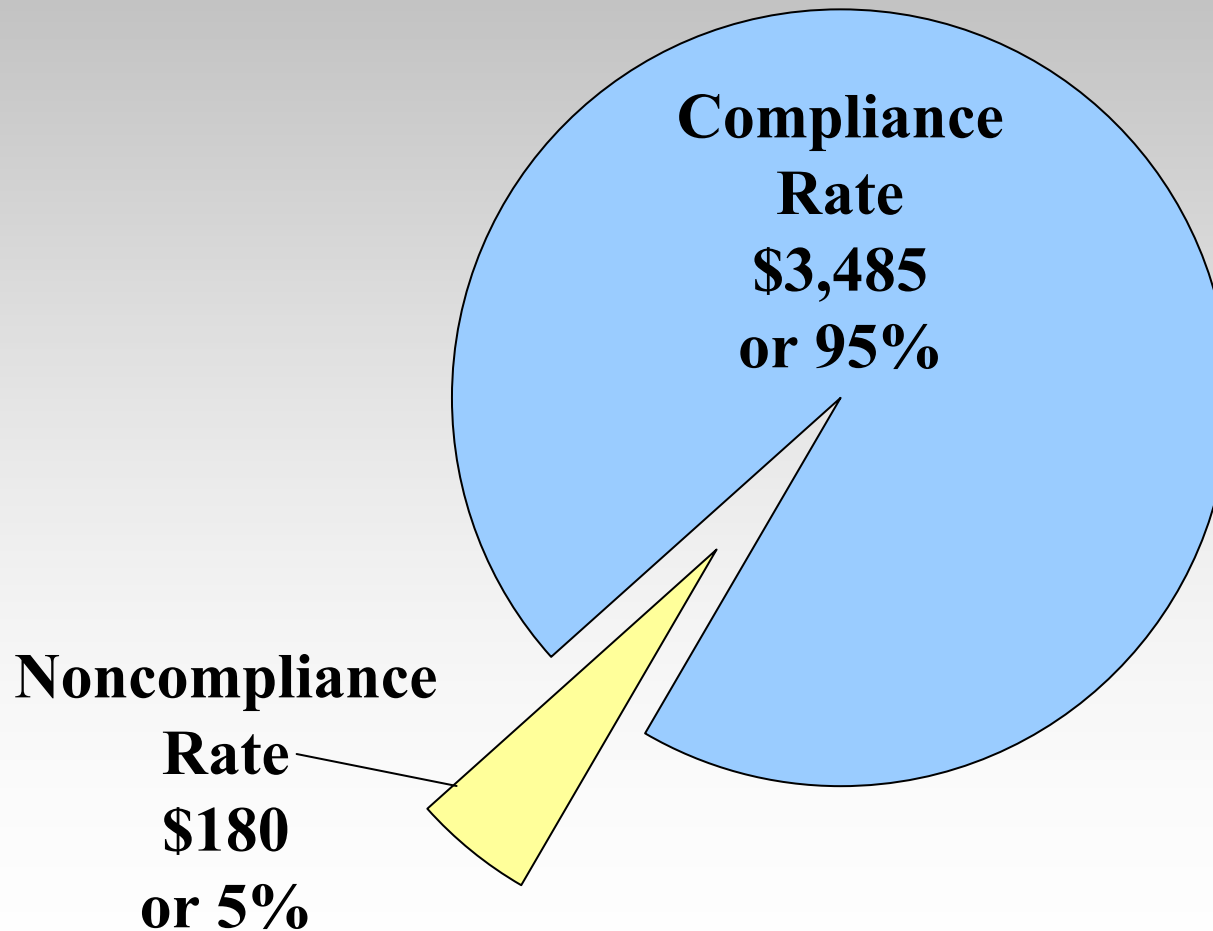


Total Tax Gap by Sales & Use CY 2000 (\$ Millions)

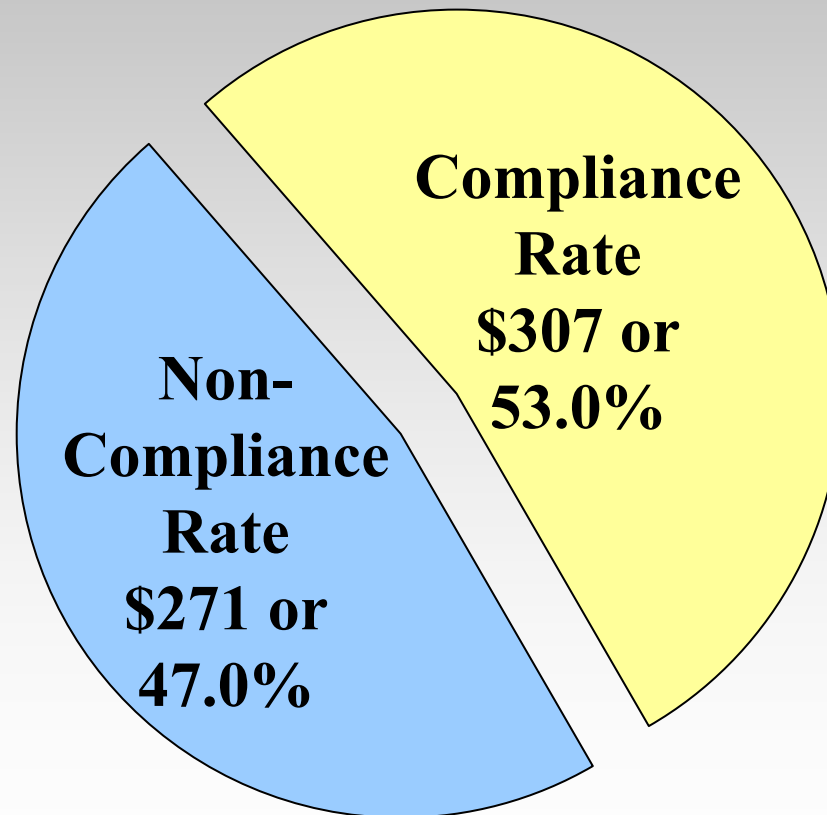
Total Gap = \$451



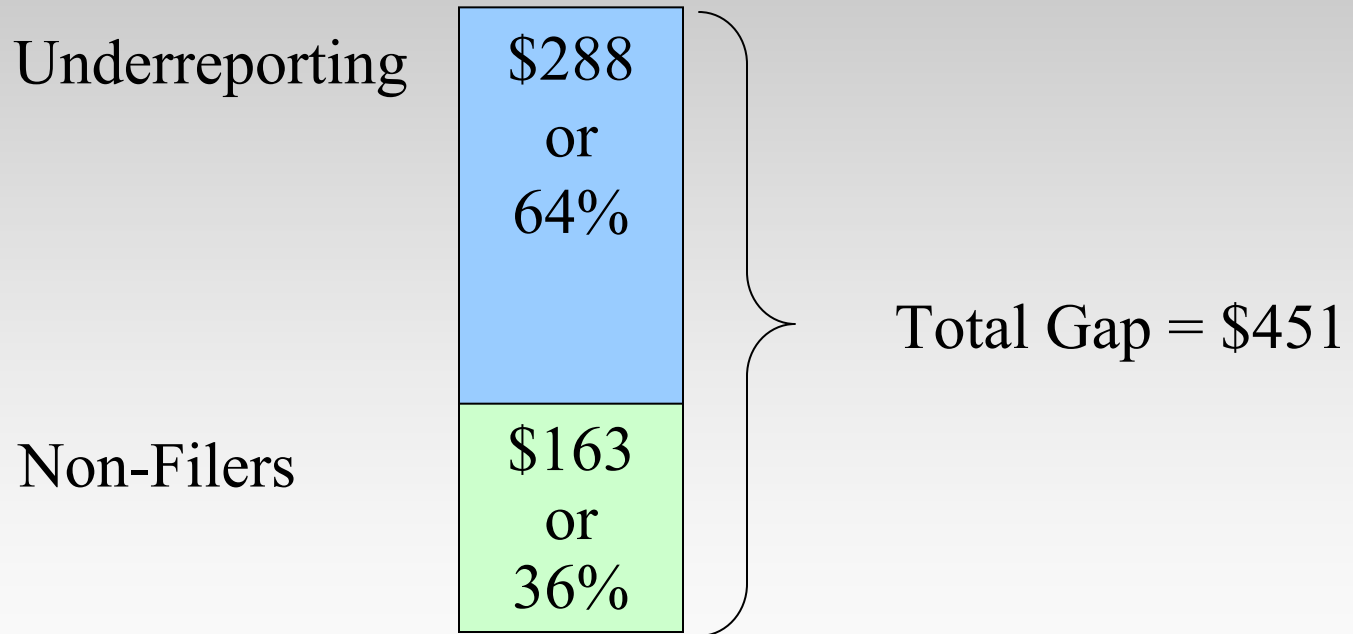
Sales Tax Compliance CY 2000 (\$ Millions)



Use Tax Compliance CY 2000 (\$ Millions)



Total Tax Gap CY 2000 (\$ Millions)



Total Underreporting CY 2000 (\$ Millions)

Sales Tax

\$135
or
47%

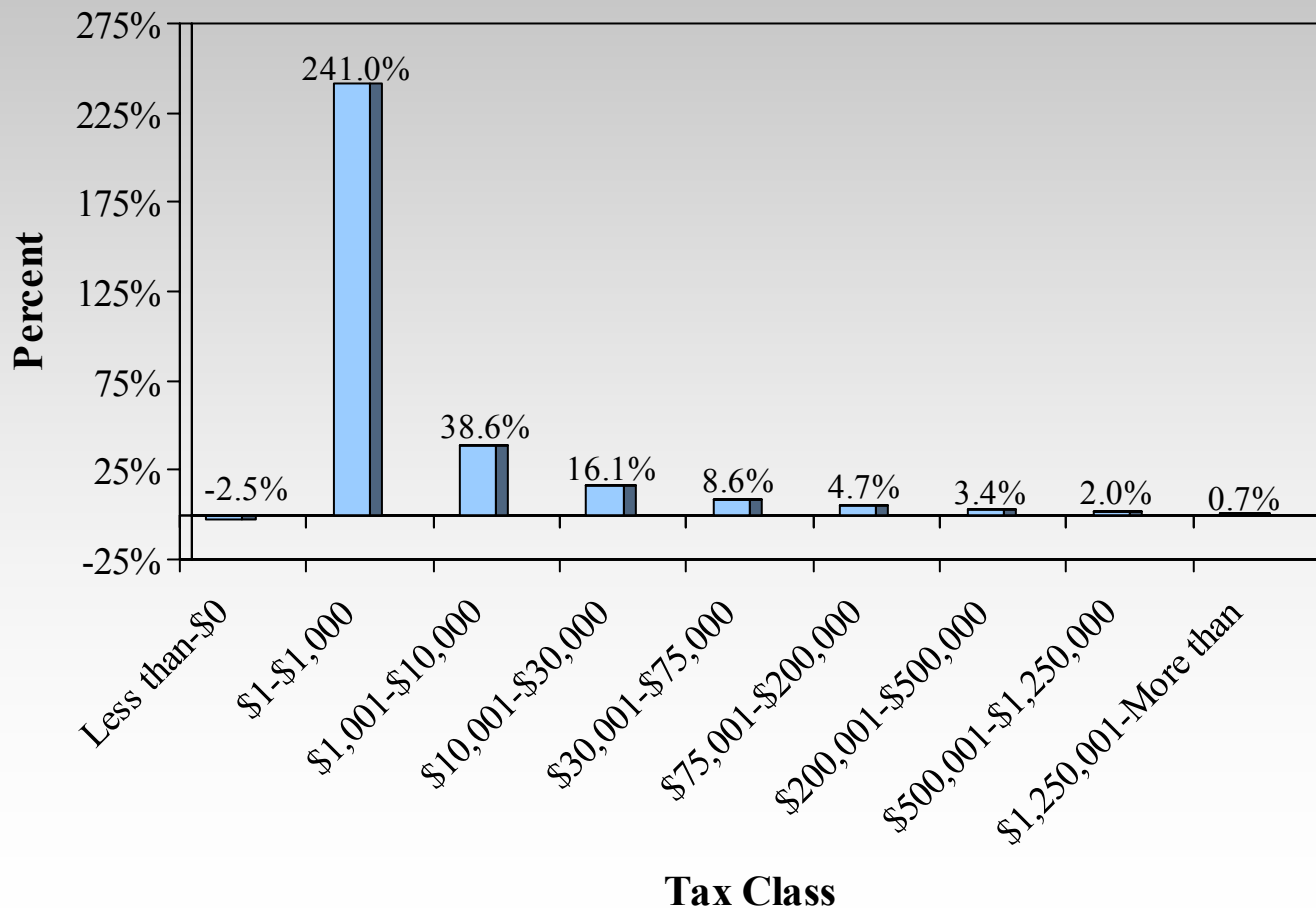
Use Tax

\$153
or
53%

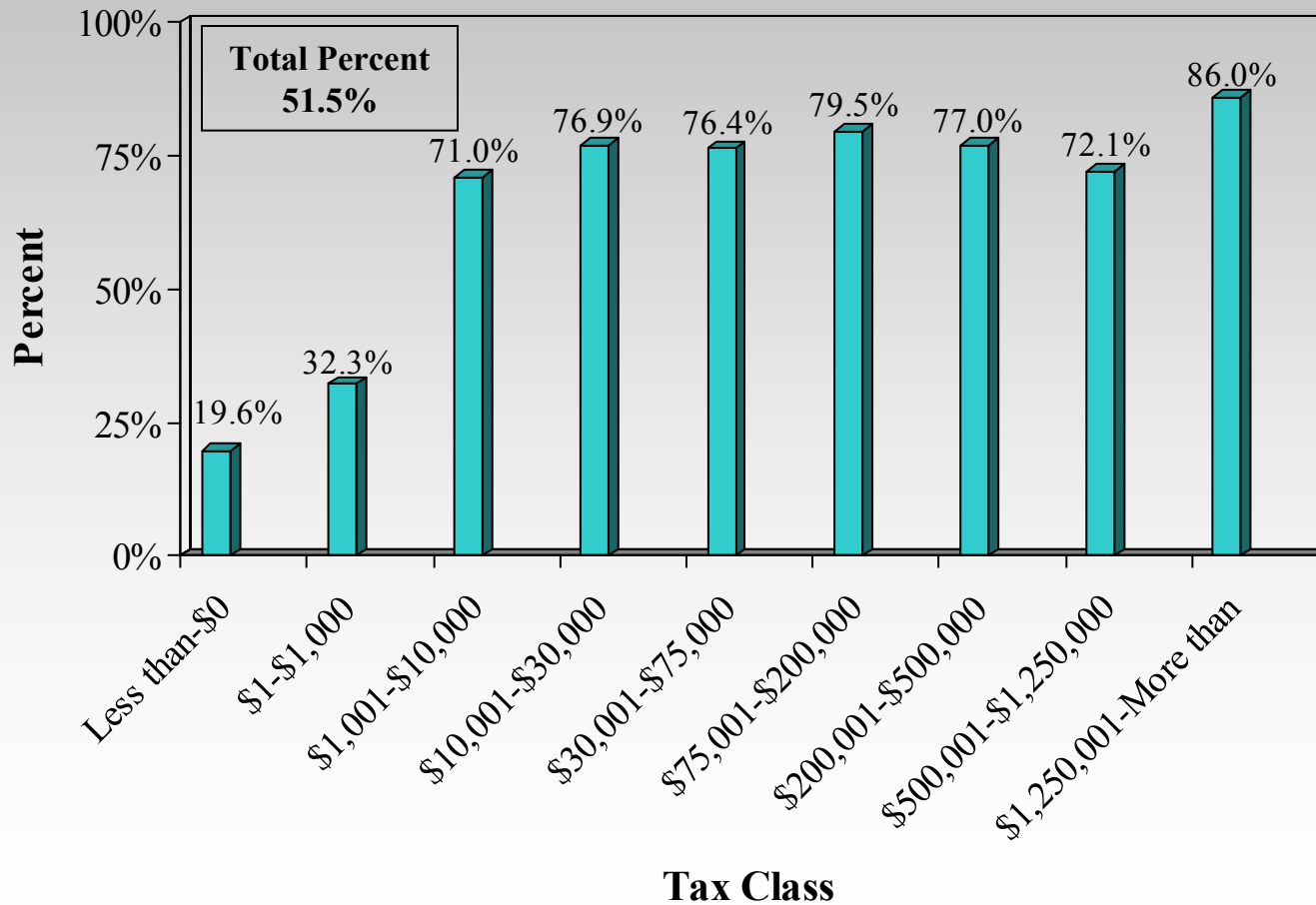
Underreporting
Total = \$288

Tax Gap - CY 2000

Percent of Sales and Use Tax Underreported

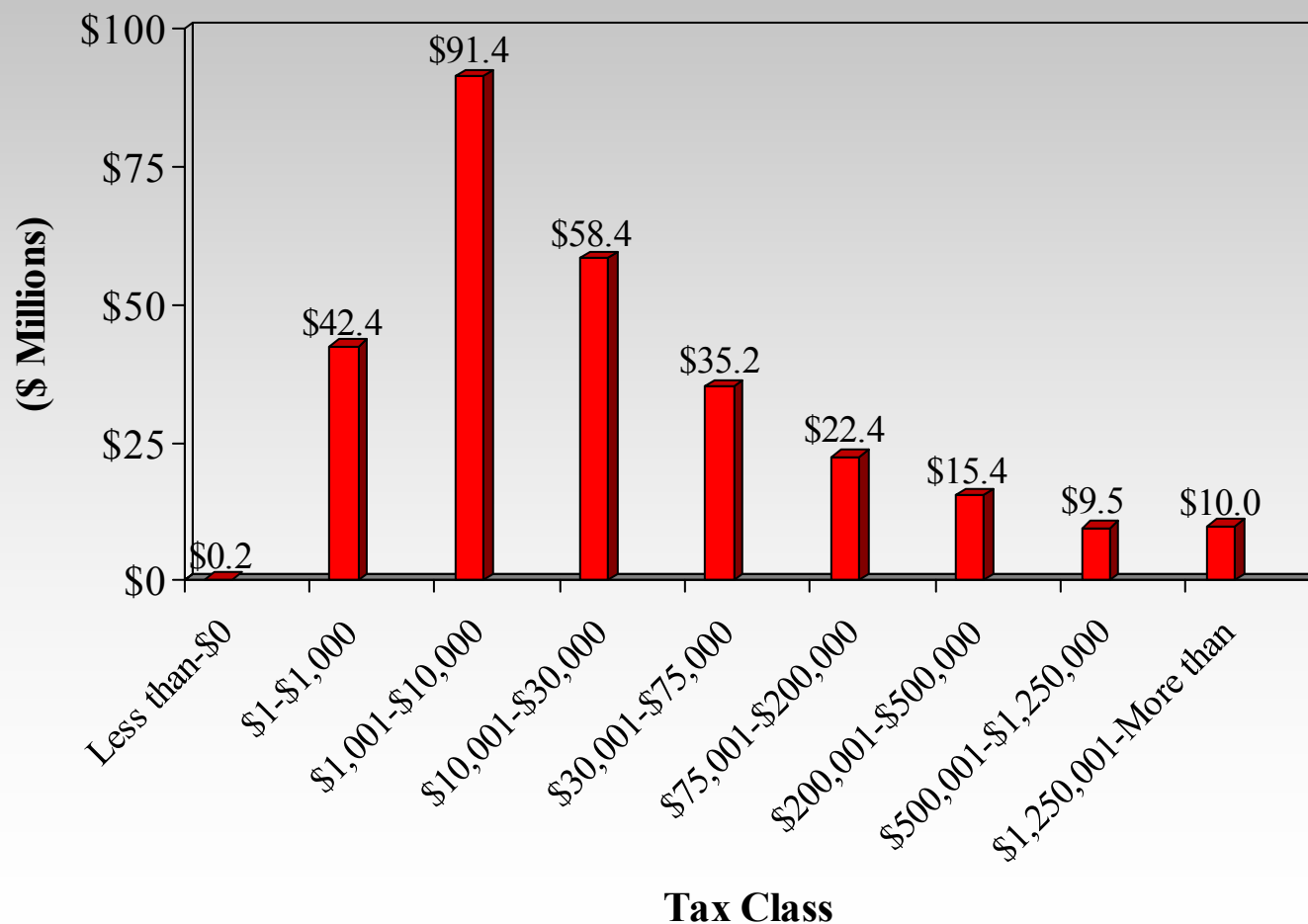


Percent of Returns Underreporting CY 2000

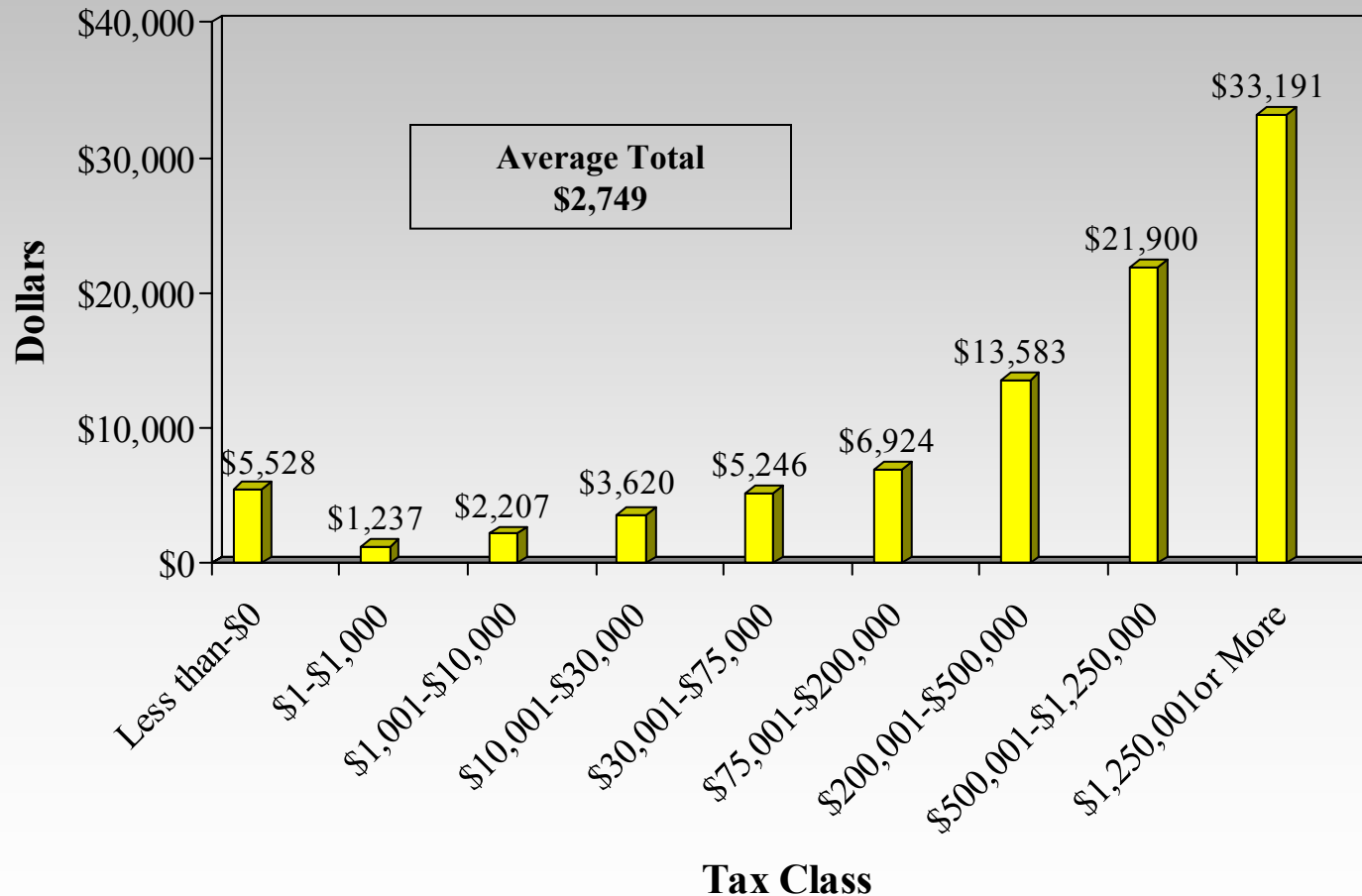


Tax Gap - CY 2000

Underreporting by Class

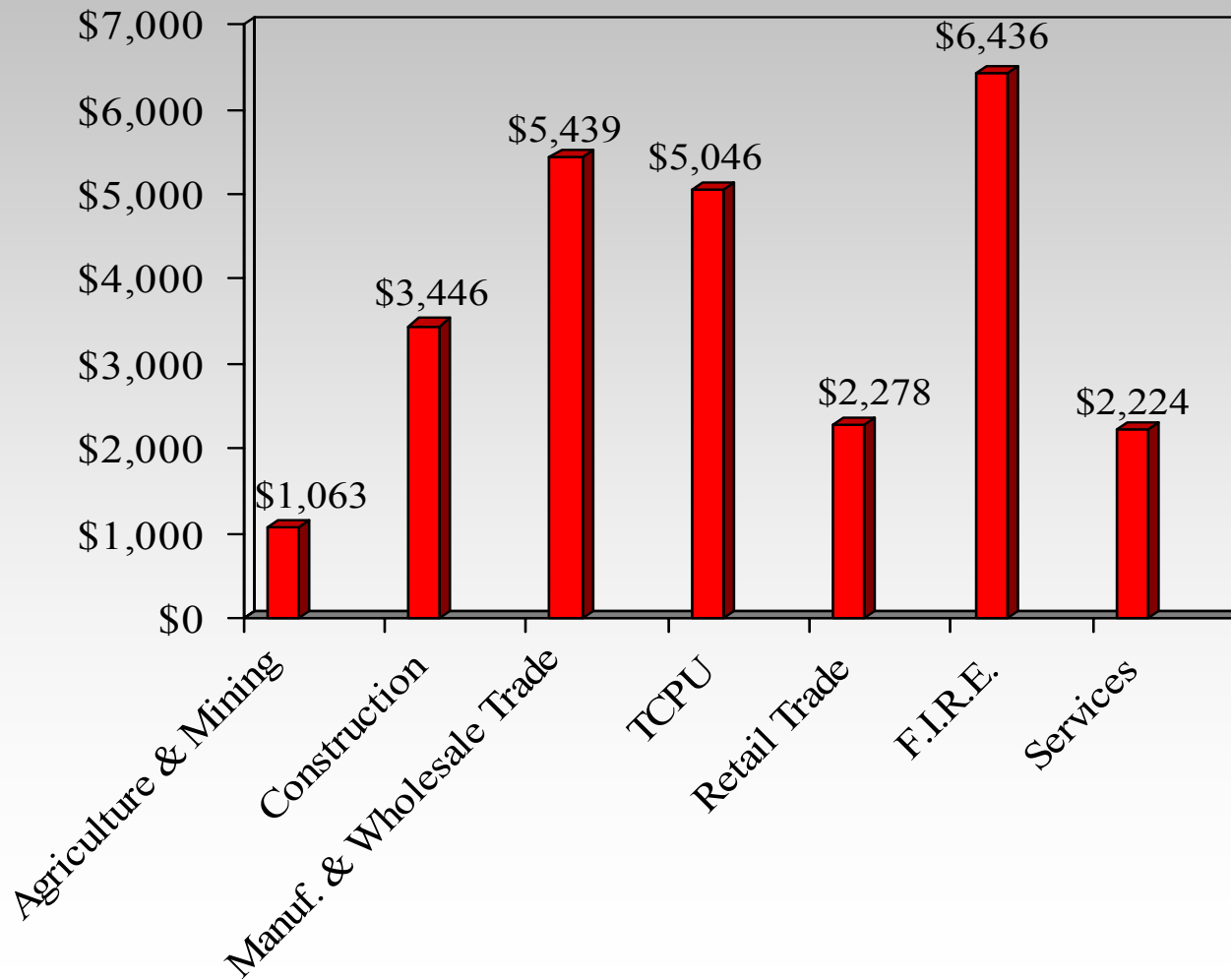


Average Amount Underreported CY 2000

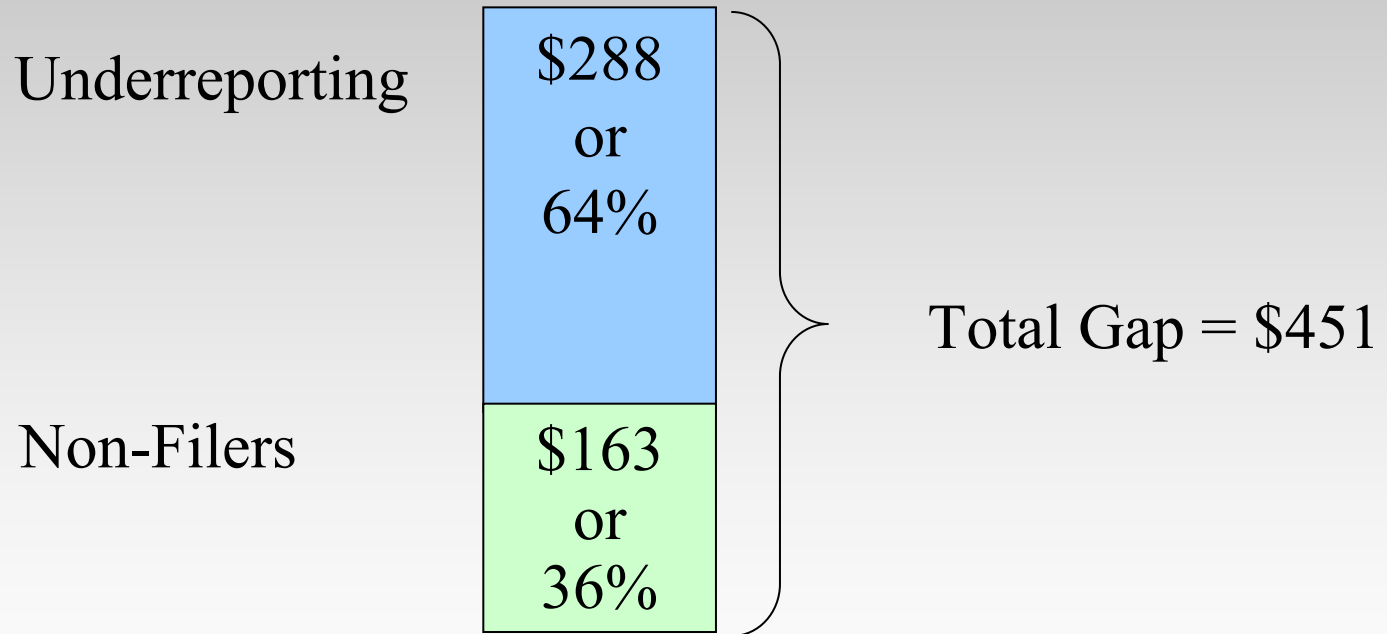


Underreported Tax Gap by Industry CY 2000

Average Amount Underreported



Total Tax Gap CY 2000 (\$ Millions)



Total Non-Filer CY 2000 (\$ Millions)

Sales Tax

\$45 or
28%

Use Tax

\$118
or
72%

Non-Filer
Total = \$163

Total Non-Filer CY 2000 (\$ Millions)

Remote Sales
(E-Comm. & Catalog)

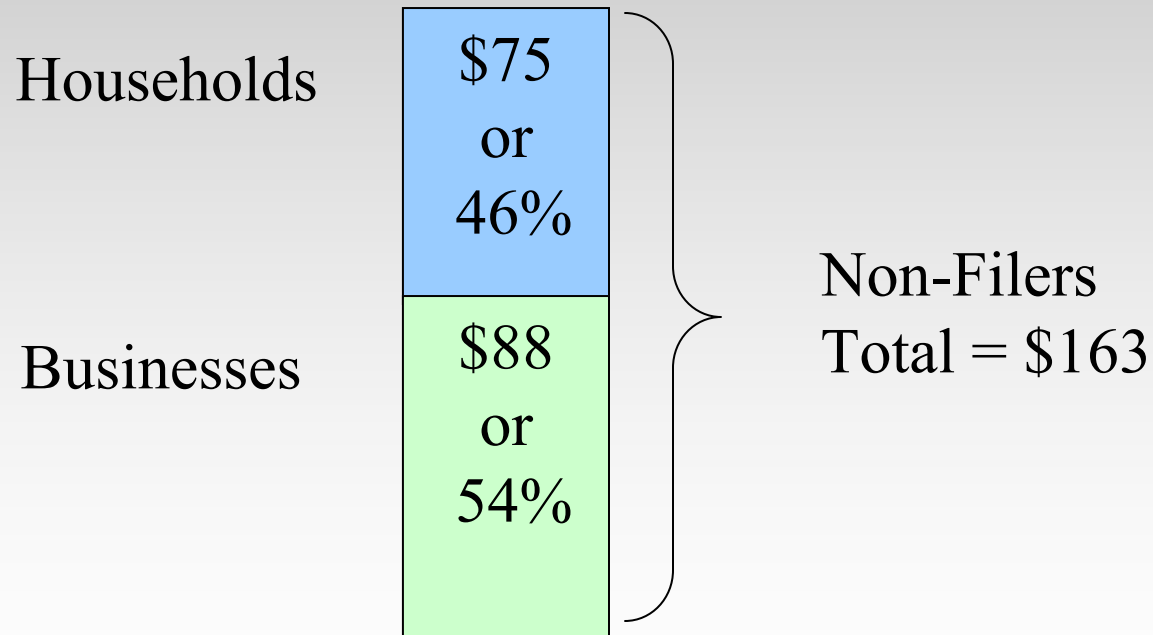
\$125
or
77%

Other

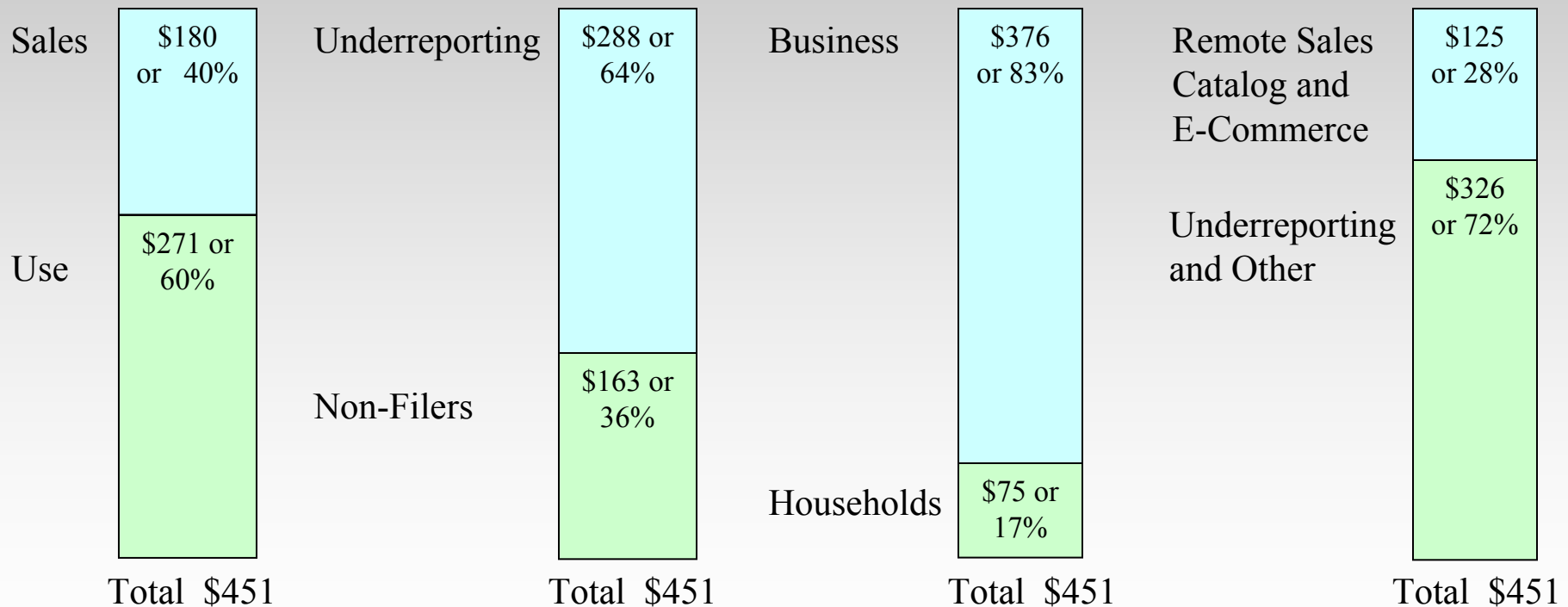
\$38 or
23%

Non-Filer
Total = \$163

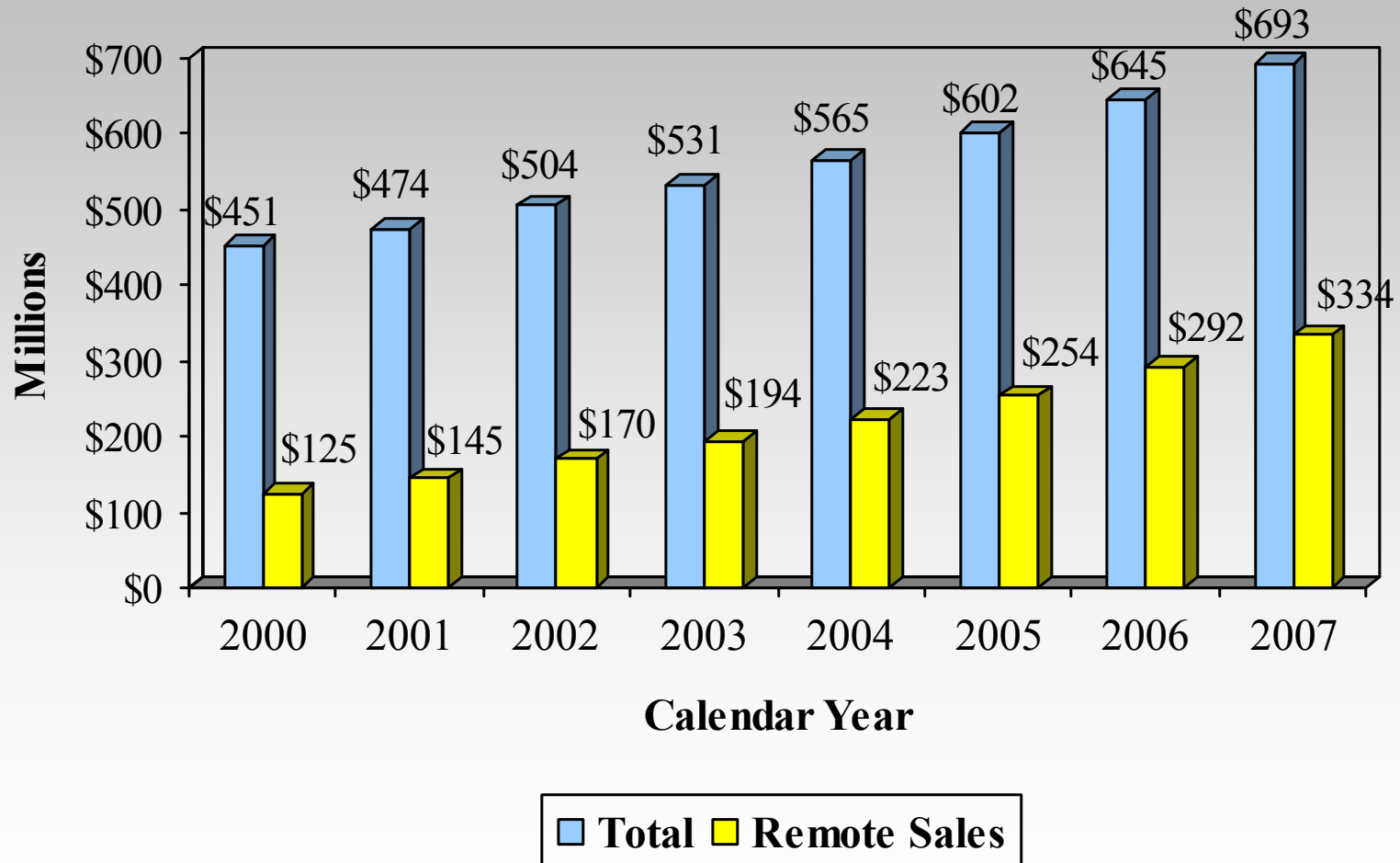
Total Non-Filer CY 2000 (\$ Millions)



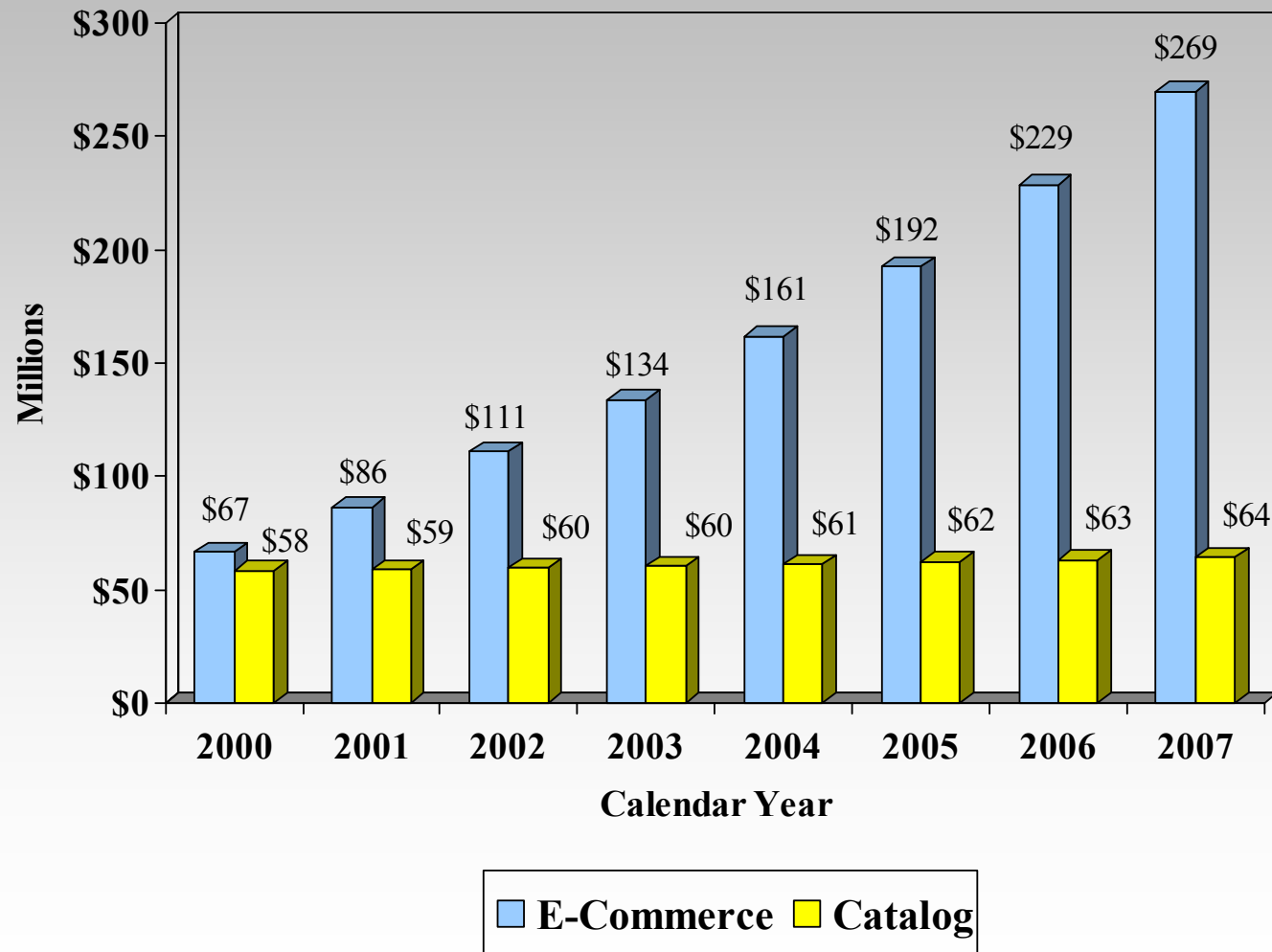
Total Gap Summary CY 2000 (\$ Millions)



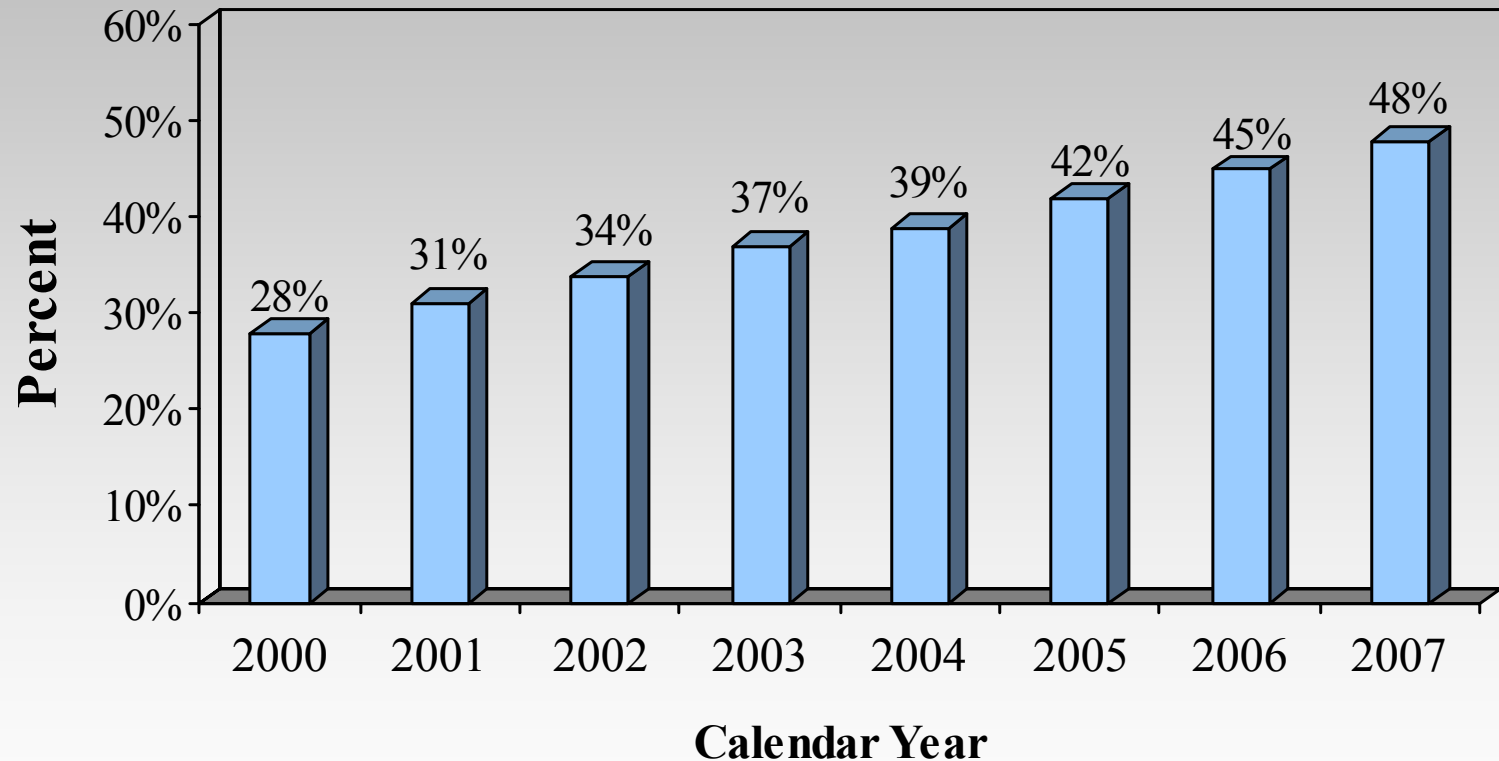
Remote Sales and Use Tax Gap (E-Commerce and Catalog)



Composition of Remote Sales Tax Gap CY 2000



Remote Sales as a Percent of Gap (E-Commerce and Catalog)



Minnesota Sales and Use Tax Gap Project: Final Report

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Report: http://www.taxes.state.mn.us/taxes/legal_policy/research_reports/content/taxgap_full_1102.pdf

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